



Homeland Security

October 14, 2005

MEMORANDUM FOR: Scott Wells
Deputy Federal Coordinating Officer
Joint Field Office, Baton Rouge, Louisiana
Tonda L. Hadley

FROM: Tonda L. Hadley
Director, Dallas Field Office of Audits

SUBJECT: *Review of the Proposed Interagency Housing Agreement
with the Department of Veterans Affairs
Report Number DD-06-01*

The purpose of this memorandum is to bring an issue to your attention concerning the proposed \$28.4 million interagency housing agreement with the Department of Veterans Affairs (VA) for temporary housing of Katrina evacuees. The VA has begun work without a signed interagency agreement with FEMA. We are concerned that work has begun and costs are being incurred on an unexecuted agreement.

The proposed agreement provides significant funding to the VA to repair, lease, and manage approximately 2,000 VA properties for a period up to 18 months following the Katrina disaster declaration. As of October 13, 2005, the agreement has not been executed by a Baton Rouge Joint Field Office (JFO) contracting officer and the agreement is still under review by FEMA headquarters as to whether or not the agreement is an appropriate action under the Stafford Act.

On October 12, 2005, the VA representative in charge of the proposed agreement told us that VA had started work a day earlier when he authorized the preparation of 35 housing units for occupancy by Katrina evacuees. FEMA JFO Housing Area Command officials said that although they did not direct VA to begin work, they were aware that VA had started preparing homes for the evacuees.

The VA official confirmed that all costs incurred for the 35 properties were the type of normal operating costs that would have been incurred by VA whether or not an agreement was in place. He also confirmed that no property repairs had been ordered. However, VA lost potential sales proceeds when it removed approximately 7,000 properties from the market on September 9, 2005, to make the properties available to Katrina evacuees. Although VA returned over 4,000 properties to the market on September 27, 2005, as of October 13, 2005, over 2,800 properties in 11 states remained off the market.

The VA and FEMA officials we interviewed recognized that the VA was placing itself at risk in the event FEMA decided not to go forward with the agreement. The Housing Area Command Chief of

Staff told us that the VA official in charge of the project knew the VA was "leaning forward" on this project in order to get the homes ready for occupancy as soon as possible. We recognize that housing needs are urgent. However, to ensure that relief funds are expended in the most effective way, we recommend that the Principal Federal Officer for Hurricane Katrina direct the JFO FEMA contracting officer to notify VA to cease work under the proposed agreement or continue work at its own risk.

Please advise us by October 17, 2005, of the actions taken or planned to implement the recommendation. If you have questions concerning this report, please call me at 940-465-4019.

Cc: Principal Federal Officer
Deputy Principal Federal Officer
Finance & Administrative Section Chief/Comptroller, Joint Field Office
Chief of Staff, Joint Field Office
Louisiana State Coordinating Officer
Louisiana State Inspector General
Louisiana Legislative Auditor